



The Insider

www.senate.mi.gov/switalski

Inside State Politics with State Senator Mickey Switalski Senate District 10

September 2, 2005

Welcome to the electronic version of *The Insider*. I would like to take the opportunity to thank you for your support and for giving me an opportunity to represent you in the Michigan Senate. It is my sincere hope that this bi-weekly e-newsletter will keep you informed of the happenings in Lansing while staying true to the traditional style of *The Insider*. If you would like to contact me, please feel free to e-mail me at senmswitalski@senate.michigan.gov or call me at my Roseville or Lansing office. You can also meet me in person during my constituent hours, coming to a library near you. Call my office and make an appointment or just walk in. See schedule for details.

A Discussion on Gas Prices

As a result of Hurricane Katrina, gas prices in Michigan have risen to its highest level ever, to over \$3 a gallon at many gas stations. This comes at a time when many families in Michigan are struggling to make ends meet during an economic downturn, and when people are making their travel plans, just before Labor Day, to mark the end of summer.

Just last Labor Day, gas prices were less than \$2 on average. Today, as I stare out the window at my district office, it is \$3.29 a gallon for regular.

The high price of gasoline has a negative impact on the economy. When people spend more on gas, they spend less on other items, whether it be pop, food, or purchasing a car. Businesses end up paying more to receive and transport their goods and services with customers picking up the tab.

So what affects gas prices? Gas prices are generally controlled by the economic law of supply and demand and are extremely sensitive to fluctuations and disruptions.

The largest factor in gas prices is the price of crude oil. We import the majority of our crude oil from abroad. So do many other countries. China and India are rapidly consuming vast amounts of oil in order to meet the demands of their growing economy. That leaves less available oil for other countries (such as the United States, which is the largest consumer of oil products) unless supply can meet the high demand, especially during the summer months. While there is enough oil reserves at the moment to meet the demand, supply could be disrupted if a terrorist strike, labor unrest or sudden political instability occurs in an oil producing state. For example, in Iraq, oil pipelines face continuous attacks from insurgents which disrupt the flow of crude oil abroad and contribute to the higher cost of gas.

This crude oil is then shipped to refineries, where it is then processed into products such as gas or heating oil. From the refineries, gas is shipped primarily via pipelines to the distributor who then

delivers it to the gas stations. The production and delivery costs are reflected at the pump and the consumer ends up paying not only for the cost of the crude oil arriving at the refiners plus a profit, but also the costs of processing, marketing, distribution, and the retail station. Proximity (such as how far from a pipeline a state or gas station is from a supplier), competition (gas stations tend to charge less in order to achieve more sales than their competition), supply disruptions (such as terrorist attack, pipeline shutdown due to power outages), operating costs and environmental programs (such as special formulates to reduce pollution during the summer) also affect the price of gasoline.

Taxes are also a factor reflected in gasoline prices. The federal government assesses an 18.4-cent excise tax. Michigan's gas tax is 19 cents a gallon and on top of that, the state has a 6 percent sales tax.

The price of crude oil went over \$70 a barrel during this week due to Hurricane Katrina's disruption of refinery and pipeline deliveries and operations in the Gulf Coast region. Consequently, President Bush has authorized the release of some crude oil from the Strategic Petroleum Reserve. This reserve would be loaned out to refineries so that they can produce more gasoline while the Gulf Coast refineries work to get back to producing at capacity. Michigan gets a significant amount of its gas from the Gulf Coast refineries, where it is unknown how extensive the damage is. The Organization of Petroleum Exporting Countries (OPEC) as well as European suppliers have said that they will soon be sending more oil to the United States in an effort to increase supply and lower gas prices.

Other options being discussed are drilling for oil in the Alaskan National Wildlife Refuge, increasing the corporate average fuel economy (CAFE) standards for vehicles, and pressuring OPEC to increase its supply of crude oil. Many other measures to reduce America's dependency on foreign oil have also been discussed. Congress has said that it will host hearings on the price of gas sometime next week.

The state of Michigan has undertaken numerous measures as well to address the issue of high gas prices. Governor Granholm declared an energy emergency earlier this week and successfully petitioned the federal government to temporarily suspend laws that require the use of specially formulated gasoline that cuts back on pollution emissions in southeast Michigan for the summer months. This specially formulated gasoline increases the cost of a gallon of gas and by waiving this requirement, it would increase the supply of gas coming to Michigan and reduce the price. The governor also lifted limitations on the hours that fuel trucks can go on the road in order to deliver their supply to gas stations.

The state has also increased the amount of inspectors patrolling and investigating gas stations to ensure that they are not ripping off customers by shortchanging them or providing them with less quality gas. (To report violators call 1-800-MDA-FUEL. To report gas gouging, call 1-877-765-8388.)

The Michigan Legislature is also currently considering many bills about the issue. House Bills 4501 and 4502 would double the penalties for gas stations that repeatedly violate the state's Motor Fuels Quality Act and the Weights and Measures Act. House Bill 4949 would prevent gas stations from selling gas below cost and underpricing their competition out of business. House Bill 4024 would exempt the sales tax for gas that exceeds \$2.30 a gallon.

There is also a series of bills that were introduced this past week that would attempt to move Michigan toward alternative fuels and lessen the demand for petroleum products. The bills would provide tax credits to retailers and blenders who purchase special equipment for biodiesel and ethanol, promote the use of alternative fuels by recommending that the state fleet use them, create a commission to promote the use and research of alternative and renewable fuels, establish a five percent biodiesel requirement for diesel fuel and require that all gas sold in Michigan consist of 10 percent ethanol.

What do you think about the price of gas? What do you think should be done to lower the price of gas? Please let me know what suggestions you have on how to address the issue of gas prices and I will

publish some of them in the next issue of the *Insider E-Newsletter*. Please have a safe and happy Labor Day weekend.

For more information on gas prices and on state efforts to address this issue, please log on to www.michigan.gov/gasprices.

Consumer Alert: Be Aware of Disaster Scams

Hurricane Katrina left in its wake much devastation and destruction. Millions of people's lives have been affected by this terrible storm with many lives lost and many others missing, homes flooded, and many struggling to find the basic means just to survive. Watching these horrible events unfold, many Michigan residents have embarked on donation efforts to show their compassion and generosity for their fellow human beings.

However, residents are urged to beware of scam artists who use natural disasters such as Hurricane Katrina as a means to take advantage of people who want to help with relief and humanitarian efforts. The Attorney General's website provides some suggestions on how to avoid being a victim of such a scam and provides information on potential ways to be a donor. The Attorney General warns residents to be skeptical of e-mail requests for donations by unfamiliar organizations and should contact charitable organizations independently to offer a donation. You can find additional information by clicking on the following link: http://www.michigan.gov/ag/0,1607,7-164-34739_20942-125345--,00.html.

Mickey's TV Insider Show

Check out my TV Insider Show coming to a television station near you. Watch me interview local guests about politics, life, issues and concerns to our district.

Sterling Heights

Every Saturday and Sunday at 12:30 p.m.
(Comcast Channel 5/WOW Channel 10)

Utica

Every Wednesday at 9 a.m.
(Comcast Channel 5/WOW Channel 10)

Clinton Township

Last week of every month- Sat thru Thurs
(Comcast Channel 5/WOW Channel 10)

Roseville

Various Times
(Comcast Channel 18)

*Please note that Sterling Heights/Utica/Clinton Township will show the TV Insider Show on Comcast Channel 5 and Wide Open West Channel 10. Clinton Township will air the TV Insider Show at various times during the last week of every month. Roseville can see the TV Insider Show on Comcast Channel 18.

Coffee Hours

*Please note that since the District Office is in Roseville, I do not have set coffee hours in Roseville. However, I encourage you to visit the Roseville office. We even have a coffee pot. Everyone is welcome to attend the coffee hours and discuss their issues and concerns.

September 26 7-9 p.m. Location: Clinton-Macomb Public Library (40900 Romeo Plank, south of Canal Road) Clinton Township	October 3 7-9 p.m. Location: Sterling Heights Public Library (40255 Dodge Park) Sterling Heights
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